

**MINUTES
of the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 2, 2008
Ballroom A, Student Union Building
University of New Mexico
Albuquerque**

**July 3, 2008
UNM Science and Technology Park
801 University Blvd. SE
Albuquerque**

The second meeting of the Economic and Rural Development Committee (ERD) was called to order at 10:30 a.m. by Representative Mary Helen Garcia, chair, on July 2, 2008 in Ballroom A of the Student Union Building at the University of New Mexico (UNM) in Albuquerque, New Mexico.

Present

Rep. Mary Helen Garcia, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Andrew J. Barreras
Rep. Richard J. Berry
Rep. Ernest H. Chavez
Rep. Nora Espinoza
Sen. Mary Jane M. Garcia
Sen. Clinton D. Harden, Jr.
Sen. Richard C. Martinez (7-3)
Sen. John Pinto

Advisory Members

Rep. Daniel R. Foley (7-3)
Rep. John A. Heaton
Sen. Carroll H. Leavell (7-3)
Rep. James Roger Madalena
Sen. Howie C. Morales
Rep. Andy Nuñez
Rep. John Pena
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Rep. Shirley A. Tyler

Absent

Rep. Jose A. Campos
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Dianne Miller Hamilton
Rep. Patricia A. Lundstrom
Sen. William E. Sharer

Rep. Nathan P. Cote
Rep. William J. Gray
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Sen. Shannon Robinson
Sen. John C. Ryan
Rep. Richard D. Vigil

(Attendance dates are noted for members that did not attend the entire meeting.)

Staff

Kate Ferlic, Legislative Council Service (LCS)

Tom Bunting, LCS

David Lucero, Legislative Finance Committee (LFC)

Jennie Lusk, LCS

Larry Matlock, LCS

Guests

The guest list is in the meeting file.

Wednesday, July 2

Albuquerque Economic Development

Debra Inman and Bob Walton, vice presidents of business development for Albuquerque Economic Development (AED), began their presentation after the committee members introduced themselves.

Mr. Walton, with 35 years in the manufacturing business, including time at Allied Signal and Honeywell, said that New Mexico's economic development incentives have a good structure because the businesses have to perform to keep them. Industry is not looking for new incentives, but wants to maintain those already in place. He explained that, for many years, New Mexico was recruiting businesses, but not focusing on taking care of those businesses that have already located within the state. Ms. Inman is in charge of recruiting new businesses, and Mr. Walton is in charge of keeping them once they locate here.

Because 584 businesses have been assisted in the last five years, AED has reached critical mass, with the companies here telling other companies, "Once you come here, they don't forget about you".

Ms. Inman talked about the Job Training Incentive Program (JTIP), mentioning that 50 percent to 65 percent of an employee's hourly rate is paid while participating, as long as the employee has been a resident of New Mexico for at least one year. AED supports making the funding for the JTIP part of the Economic Development Department's (EDD) recurring base budget.

She praised the high-wage jobs tax credit as a powerful recruiting tool that provides a benefit of \$20,000 over four years for jobs that pay over \$40,000 per year. The original hiring date was extended to 2015 during the 2008 legislative session.

Mr. Walton said that short sunsets give the impression that the benefits will evaporate before businesses have settled, while longer sunsets give them more confidence to relocate. He cited *Business Facilities Magazine* for July 2008, which ranks New Mexico number one for manufacturing momentum.

On the subject of consolidated reporting, Mr. Walton mentioned House Bill 51 introduced by Representative Peter Wirth during the 2008 legislative session. The bill never made it out of its first committee. House Bill 51 would have eliminated a company's ability to file separately, mandating the use of a unitary, combined form. The EDD favors changing the options because New Mexico is at a disadvantage competing with other states that offer lower rates. New Mexico's best rate is 7.6 percent, while Colorado offers 4.6 percent, Utah offers five percent and Nevada, Wyoming and Texas all offer zero percent.

One legislative difficulty is the lack of hard numbers to determine the fiscal impact. Mr. Walton said that Minnesota, which has five times the population of New Mexico, will save \$23 million. West Virginia will save \$24 million. Wisconsin, six times the size of New Mexico, is going to save \$30 million. Mr. Walton asked, "Do we want to go forward? Or lose our edge?"

Work Force Training

Executive Vice President of Operations and Finance David Harris brought greetings from the president of UNM, David J. Schmidly, and gave a presentation entitled, "Economic & Workforce Development: The Role of a Flagship University". The handout is in the meeting file. Mr. Harris quoted a statistic stating that UNM creates 1.6 jobs for every job funded and multiplies every dollar received five times in the economy. With a budget of over \$2 billion for FY09, UNM has created 17,206 jobs and has a \$9.2 billion impact on the state's economy. He spoke of three critical gaps: work force education, work force readiness and failure to meet workplace expectations. These gaps can be addressed by making education to support work force development the state's top priority and strengthening skill-based job training in the state's education system.

After explaining UNM's role in addressing these needs, Mr. Harris extolled the benefits of the Bureau of Business and Economic Research (BBER). Mr. Harris was enthusiastic about its usefulness to the Department of Finance and Administration (DFA) and to the LFC. Funded by an overhead rate negotiated with the federal government, the BBER helps to provide information for long-range planning. Mr. Harris hopes that the state will contract with UNM to a greater extent to increase the input available to the BBER. Mr. Harris explained that a way had been found to continue funding for the BBER for the next fiscal year and that the program needs a direct appropriation for at least a portion of its budget. He praised the fact that the program operates independently.

A discussion ensued about basic research and developments at UNM, as well as ways to maximize the federal match for health programs.

Representative Madalena complained that small communities and counties in general, and the Pueblo of Jemez in particular, are consistently undercounted in the decennial census, which throws off their revenue estimates. Mr. Harris said that he has talked to Paula Tackett of the LCS, David Abbey of the LFC and Secretary Katherine Miller of the DFA in an effort to reduce the effects of undercounting.

Rita Martinez-Purson, director of continuing education, gave a PowerPoint presentation outlining some of the more than 70 certificate programs offered by UNM, with 800 course offerings per semester. New training programs have been included for the health services industry, with training in phlebotomy as a way to break into the field. Apprenticeship programs are also being implemented, with 11 successfully completing the program in nine weeks in July 2007 and all offered positions at TriCore. Workforce development, in the form of increasing computer literacy, remains a staple of continuing education.

The classes are taught in short courses, seminars and conferences that start throughout the year. Partnerships with business representatives and content experts allow the programs to evolve as necessary to keep up with the changing needs of industry.

Dr. Suleiman (Sul) K. Kasscieh, endowed chair in economic development at the Anderson School of Management (ASM) and director of the Center for Support of Economic Development, gave the committee a handout, which is in the meeting file. His presentation followed the handout very closely. The center's goal is to develop programs to meet the needs of New Mexico's growing economic sectors. The ASM, through the center, hopes to organize and encourage faculty and student participation in business creation, economic development research studies and contracts for services to enhance businesses. Enhancement and creation of new businesses are the main focuses.

Dr. Kasscieh stressed several times the importance of letting students work on real problems, giving them experience making the kinds of decisions that are made by professionals in their fields. He mentioned that student money managers have \$7 million at their disposal in the UNM Regent Endowment Fund, one of the largest amounts for investment managed by students in the United States.

He concluded his presentation with ideas for the future.

Questions from the members followed, starting with Representative Heaton, who was disturbed that his bill to help small businesses overcome technological problems with new products was instead being used to create business and marketing plans. Dr. Kasscieh denied this charge, saying "We don't do business plans". He gave examples of working with the national laboratories and companies like Mezzo Systems, working on collections of pathogens and the environment. Instead of writing a business plan for them, the center studied how someone can make technology that does not yet exist and showed how that research can make it into the commercial arena.

Representative Rodella complained that students from her area were not accepted into the ASM and had gone to out-of-state universities.

Due to the absence of Dean Joseph Cecchi from the School of Engineering, Dr. Kevin Malloy, associate dean for research for engineering, and John E. Wood, professor of mechanical engineering and director of manufacturing engineering, gave the committee a handout entitled

"Workforce Development via UNM Manufacturing Training & Technology Center (MTTC)". The handout is in the meeting file, as well as their second handout, "Workforce and Economic Initiatives in the School of Engineering".

The first handout focuses on the MTTC cleanroom and Micro Electro Mechanical Systems (MEMS). Tech/engineer cross-training was also covered, as well as semiconductor manufacturing.

While discussing community education initiatives, Dr. Malloy explained that students do not want to wait two years to get to the "good stuff", they want to be engaged in their fields in their communities from the very beginning. He said there are tremendous opportunities for research and training in the biomedical engineering field, which has become a key area of competitiveness and innovation nationwide.

Christopher Mead, dean of the College of Fine Arts, gave the committee members an entire bound book entitled "(Pending) Interdisciplinary Film & Digital Media Program". The 159-page book is in the meeting file.

Dr. Mead said that education and economy are not foreign terms and that his department is trying to align the educational offerings with work force training needs to meet real career opportunities. He criticized the industry approach to digital media, which employs animators and graphic artists that never talk to each other, saying that UNM intends to bring together the disparate elements of the industry to form a more cohesive unit. He envisions letting all of the institutions have an office in an easily accessible learning center to share expertise. Some capital funding will be necessary to put the final pieces in place.

The committee recessed for lunch at the ASM at 1:10 p.m. and returned at 2:24 p.m.

New Market Tax Credit (NMTC) Loan Program

Mark Valenzuela, director of government affairs for the New Mexico Finance Authority (NMFA), was joined by Traci Davis for this presentation. Their handout is in the meeting file.

Mr. Valenzuela explained that the NMFA's allocation agreement was finalized on February 15, giving the NMFA two years to allocate the funds. He explained the NMFA's goals and background, demonstrating the leveraged model, examined key policy issues and listed the next steps for each.

He explained that the NMFA had found some tools of which the state was not taking sufficient advantage. In 2006, the legislature supported changes allowing the NMFA to create a for-profit entity that would make loans for small businesses through a competitive application process. This entity is a licensed liability company called "Finance New Mexico".

Each year, \$3.5 billion is put forth for bid. One of the goals is to provide flexible sources of capital to businesses primarily in rural areas, with a distribution of 60 percent in urban areas

and 40 percent in rural areas. Once an investment is made for seven years, it collapses and leaves behind some money.

Although the NMFA is not a source of capital, it helps banks approve loans with a very flexible program, which is another way to help a community bank get a project done.

Policies already in place allow the NMFA to finance those projects with the most impact first, while considering job creation and community support. Financing projects that normally would not get financed allows the NMFA to make sure that the jobs created are high-wage jobs.

Highlighting target industries can bring new businesses to New Mexico.

The benefits of this program are as follows:

- the borrower gets its project financed at advantageous terms;
- investors get tax credits equal to 39 percent of the total amount invested by the CDE over a seven-year period, five percent in the first three years, six percent for the last four years;
- the program is typically structured to generate an internal rate of return of eight percent to 10 percent for the investor;
- at the end of the seven-year period, the borrower refinances both the conventional loan and the NMTC proceeds loan; and
- the NMFA is able to relend the money to other businesses without the NMTC constraints and constrictions.

The main objectives of the NMTC are:

- to provide a framework for prioritization of projects;
- to provide potential applicants with a general sense of structuring and potential NMTC benefits;
- to reflect the dynamic nature of the program and the stage of program development; and
- that policies will be revisited after the first round of applications for adjustments.

Close to the end of the presentation, Representative Garcia recognized Secretary of Economic Development Fred Mondragon. He explained that his department is joyful about the \$110 million allocation that allows the EDD to participate and manage the introduction of the projects with 10 people in the field. He assured the committee that these new jobs would be economic-based jobs, not retail, and that at least 40 percent of the total would be in rural areas. He congratulated the NMFA for the amazing job it has been doing.

Public-Private Partnerships for Rural Economic Development

Tom Phelps, president and chief executive officer of ENMR Plateau, and Raymond Mondragon, director of economic development for ENMR Plateau, began their presentation at 3:14 p.m. Their handout, "Presentation to Economic & Rural Development Committee", is in the meeting file.

They spoke about their grant program, "Nuestros Vecinos", which allows small communities to apply for up to \$10,000 to help create an economic-based position or job.

ENMR Plateau also has two additional grant programs, the Public Safety Education Grant and the Education Foundation School Grant, both of which will assist rural communities in their service areas.

Representative Garcia noted that the company is concerned about state and federal regulations and asked for clarification. Mr. Phelps explained that when government tries to regulate industry, progress is slowed, which defeats the purpose of a cooperative. He feels that the barrage of regulations is throwing roadblocks in the way of progress.

New Mexico Partnership Performance Update

Raymond Mondragon, this time wearing a different hat as chair of the New Mexico Partnership Board of Directors, and Lea Harrison, director of marketing and communications for the New Mexico Economic Development Partnership, were joined by Davin Lopez for their presentation. Their handout, "Presentation to Economic & Rural Development Committee", is in the meeting file, as well as a second pamphlet called "35 Companies Over 11,000 Jobs".

The mission statement for the New Mexico Partnership is, "We are committed to attracting competitive, quality companies to the state of New Mexico both rural and urban; generating good paying jobs, increasing capital investment and providing a platform for enhancing and sustaining the state's economic vitality".

The partnership has over \$582 million in capital investment spread out over 50 areas. They have visited 200 out-of-state companies and consultants. Results as of the 2007-2008 fiscal year include the addition of 10,989 jobs since its inception in 2003, with 5,282 of them since July 2007. Nine hundred seventy-six of these jobs are in rural areas.

These results have been achieved by working with the EDD. Regional representatives continue to spread the state's notoriety as an exciting place to do business, partially by conducting public relations training in rural areas and showing small communities how to showcase the benefits of their areas. One recent success is Schott Solar, which will result in the addition of 1,500 jobs.

Ms. Harrison talked about marketing and consulted the square handout. She thanked the committee for its feedback. The photographs in the handout were taken during a five-day shoot that covered most of the state. She recommended that committee members contact her to get a copy of the partnership's quarterly newsletter. Ms. Harrison invited community members to attend trade shows with members of the partnership, which helps out communities that do not have the budget to attend the trade shows on their own. Trade shows this year will focus on aerospace aviation, food processing, renewable energy and back-office operations.

Mr. Lopez explained that successful site location is an art and that companies are concerned about real estate, its financing and labor.

Representative Heaton asked how the partnership chooses the trade shows it attends. Ms. Harrison explained that she focuses on the target audience of the show, whether it includes CEOs or technicians, and then tries to eliminate companies that have reorganized in the last 60 days as part of her "due diligence". She explained that one of the difficulties of marketing New Mexico

is getting people to realize that it is not a foreign country. "We shake their hands and tell them they do not need a passport to get here."

Representative Heaton asked for a breakdown of the results from the trade shows.

Mr. Mondragon explained that the state's strengths and challenges have been examined, as well as the business climate and overall personality of the labor force.

Senator Morales thanked the partnership for taking action when a call center in his district closed. Representative Rodella criticized the partnership for not having much of an effect in northern New Mexico.

Creating Quality Jobs in New Mexico

George Friberg, senior director of technology, Technology Ventures Corporations, was joined by John Chavez for a brief presentation at 4:11 p.m. Mr. Friberg described himself as more of a "matchmaker" between businesses and those with venture capital to invest.

He explained that, during the 1990s, it was decided to take severance tax money and put it into risk investment. Although it is counterintuitive, adding a little risk to a portfolio actually lowers the overall risk and increases returns. Originally, these investments were only made nationally and not in New Mexico. Eventually, the rule was changed to permit investment in New Mexico businesses, although the law prohibits the state from investing more than 51 percent. Normally, the state invests \$1.00, and \$7.00 more comes from venture capitalists. In 2007, Technology Ventures Corporations did 22 deals that raised \$218 million, which resulted in the *Albuquerque Journal* publishing the headline "NM is first in venture capital growth".

Mr. Friberg explained that this is even more exciting because of the state's continued growth. The average job in New Mexico pays about \$32,000 per year, while the average technology-based business pays \$54,000 per year. The company's efforts will continue to result in more high-wage jobs for the state.

Economic Development Strategy for Northern New Mexico

Ed Burckle, executive director of the Regional Development Corporation (RDC), Barbara Deaux, North Central New Mexico Economic Development District, and Monica Abeita, program manager for Regional Economic Development Initiatives (REDI), began their presentation at 4:37 p.m. Mayor Joseph Maestas of Espanola joined them.

Los Alamos County is the primary sponsor of REDI. Although the initiatives run longer than five years, the RDC has been focused on the first five. Three million dollars has been invested in the three initiatives.

Their goals for rural communities through projects are to:

1. diversify the economy;
2. create a high-quality work force;
3. increase the number of high-paying jobs;
4. retain and attract youth and young families; and
5. make rural communities vibrant.

The four top areas identified that most need help are:

1. economic development;
2. human capital;
3. infrastructure; and
4. public policy.

By following these goals and working in these top areas, the RDC will try to create a process so the communities can identify which projects will have the most regional economic development benefits. The regional approach is very helpful.

Mayor Maestas called it the most in-depth comprehensive economic development study in recent memory. He described the program as insurance for the future in case the national laboratories have their funding decreased, which could bring down the entire local economy.

After a brief discussion, the committee recessed at 5:00 p.m.

Thursday, July 3

The meeting was called to order by the chair at 9:05 a.m.

Tax Increment Development Districts

Laird Graeser of the DFA, Norton Francis, chief economist for the LFC, and Anna Lamberson, chief financial officer for the City of Albuquerque, began their presentation as soon as the meeting was called to order. Their handouts are in the meeting file.

Tour: Mesa Del Sol

Representatives from Mesa Del Sol shepherded the committee members and members of the public onto a bus for a rare tour of the facility. The entire subdivision will hold a population of 100,000 with 20 million square feet of office and industrial space and 38,000 rooftops when it reaches its final stage in 35 to 50 years.

Fidelity will provide 1,250 jobs paying \$40,000 to \$50,000 per year, eventually reaching 2,500 jobs on the Mesa Del Sol campus beginning on January 1, 2009. Water will be supplied from the City of Albuquerque Joint Authority.

Advent Solar is planning a \$14 million facility that will make photovoltaic parts.

Albuquerque Studios is already operating the largest soundstage in North America. Jason Heriton conducted this part of the tour as the bus wound around the soundstages and warehouses. Security was very tight, with a golf cart of security officers leading the tour bus throughout the tour. The eight stages are spread out over 28 acres until an additional parcel can be purchased. Four office buildings of 18,000 square feet each will be located on the site, of which three are complete. One thousand five hundred employees work there during shooting, up to a maximum of 2,500. Current productions include "Breaking Bad" and "In Plain Sight".

Carson Templeton led the committee to the top of the Town Center Building, which is still under construction, for a breathtaking view of the enormous parcel of land on which the new

community is planned. After taking questions from members of the committee, the group boarded the bus and returned to the UNM Science and Technology Park for a brief rest before the tour of SunCal.

Tour: SunCal

Vanessa Alarid, government affairs manager for SunCal, welcomed the committee members aboard the bus for a ride to the Sealy Mattress plant. LeRoy Chavez, vice president of operations, was also present, as well as Luisa Casso, vice president of economic development.

Inside the Sealy Mattress factory, committee members were provided with a working lunch while they were lectured on the extent of the project. Except for the factory, the rest of the development consists of open, undeveloped land, most of it from the former Atrisco Land Grant.

In order to purchase the land from the land grant heirs, 67 percent of all shareholders would have to consent. Ninety-one percent consented. There are 100 employees at the Sealy Mattress factory. Two hundred fifty million dollars was paid to the land grant heirs/shareholders, along with an agreement to pay \$1 million per year to them for scholarships.

Dick Minzner was also present.